

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 EUR-12 EA-10 ISO-00 COME-00 CIAE-00
INR-10 NSAE-00 GSA-02 TRSE-00 AID-05 OMB-01
INRE-00 SSO-00 /059 W
-----042856 131918Z /45

O R 131633Z JUN 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 3163
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY GABORONE
AMEMBASSY KINSHASA
AMCONSUL JOHANNESBURG
AMEMBASSY LONDON
AMEMBASSY LUSAKA
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY ROME
AMEMBASSY SUVA
AMEMBASSY TOKYO

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E.O. 11652: N/A
TAGS: EMIN, FR
SUBJECT: COBALT

REF: (A) STATE 145925 (B) CANBERRA 4546

1. FOLLOWING PARAGRAPHS PROVIDE INFORMATION WE HAVE
BEEN ABLE TO OBTAIN IN RESPONSE TO LIKE-NUMBERED
PARAGRAPHS OF REF (A) CONCERNING WORLD COBALT SUPPLY/
DEMAND SITUATION.

2. CONSUMPTION: FOR 1977, APPARENT FRENCH RAW COBALT
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CONSUMPTION (PRODUCTION PLUS IMPORTS MINUS EXPORTS)
WAS 564 METRIC TONS. (SOURCE: IMETAL AND SYNDICAT DES
MINERAIS ET METAUX BRUTS). ESTIMATES FOR 1978 PREDICT
THAT CONSUMPTION WILL REMAIN AT APPROXIMATELY 1977
LEVELS.

3. STOCKS: GOF RESTRICTS DISSEMINATION OF STOCKPILE

DATA, HOWEVER OUR SOURCES TELL US GOF COBALT STOCKS ARE VERY SMALL AND "HAVE NO POTENTIAL FOR AFFECTING WORLD MARKET SITUATION". DEALERS, SUPPLIERS, AND REFINERS OPERATE ON NORMAL WORKING STOCKS WHICH AVERAGE BETWEEN ONE AND TWO MONTHS SUPPLY ACCORDING TO OUR SOURCES.

4. PRODUCTION: FRENCH COBALT PRODUCTION IN 1977 WAS 850 METRIC TONS (SAME SOURCE AS IN PARA 2). PRODUCTION FOR 1978 IS EXPECTED TO BE APPROXIMATELY EQUAL TO 1977 PRODUCTION. FRENCH COBALT PRODUCTION IS BASED UPON THE PROCESSING OF ORE OBTAINED FROM MOROCCO. PRINCIPAL SOURCES OF 635 METRIC TONS OF COBALT METAL IMPORTED INTO FRANCE IN 1977 WERE BELGIUM AND LUXEMBOURG. ZAIRE PROVIDED LESS THAN 150 METRIC TONS OF THIS TOTAL. DURING SAME YEAR, FRENCH COBALT METAL EXPORTS TOTALED 921 METRIC TONS. PRINCIPAL RECIPIENTS WERE THE FRG, USSR, AND U.S. FRENCH 1977 TRADE IN COBALT ALLOYS SHOWED 118 METRIC TONS OF IMPORTS AND 146 METRIC TONS OF EXPORTS. FRENCH INDUSTRY IS DEMAND RESPONSIVE AND CAN BE EXPECTED TO TRY AND INCREASE PRODUCTION WITHIN ITS CAPABILITIES AS A RESULT OF CURRENT TIGHT MARKET.

5. PRICES: FRENCH PRICES ARE GOVERNED BY INTERNATIONAL PRICES SET AT BRUSSELS. OFFICIAL DOMESTIC PRICE IS NOW LIMITED OFFICIAL USE

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(6/13/78) 89.5 FRENCH FRANCS/KILO, BUT OUR SOURCES SAY BLACK MARKET QUOTATIONS ARE RUNNING AS HIGH AS 270 FRENCH FRANCS/KILO. EXPECTATIONS ARE FOR THIS PRICE PRESSURE TO CONTINUE ON BOTH CONTRACT AND SPOT MARKETS. THERE IS NO FORWARD MARKET. WE HAVE NO CURRENT INFORMATION ON PROPORTIONS BEING TRADED IN EACH MARKET,

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BUT OVERALL QUANTITIES BEING OFFERED ARE IN SLIGHT
DECLINE.

6. GOVERNMENT POLICIES: GOF REPS TELL US NO REPEAT NO
SPECIFIC ACTIONS HAVE BEEN TAKEN OR ARE CONTEMPLATED
BY THE GOVERNMENT IN RESPONSE TO CURRENT TIGHT SUPPLY.
INCREASING PRICES AND REDUCED QUANTITIES OF COBALT
AVAILABLE ARE SEEN AS MORE WORRISOME PHENOMENA ON
WORLD MARKET THAN ON FRENCH. DOMESTIC MARKET IS
DEFINITELY AFFECTED, THEY SAY, BUT BECAUSE OF LONG-
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TERM MOROCCAN CONTRACTS AND MINOR IMPORTANCE OF ZAIRE
AS A SOURCE OF SUPPLY, THEY DO NOT EXPECT SEVERE
PROBLEMS LOCALLY. MARKED DISTORTIONS ON WORLD MARKET,
HOWEVER, RAISE FEARS HERE OF A POSSIBLE U.S. EXPORT
EMBARGO. GOF HOPES WE CAN RESIST ANY SUCH TEMPTATION
AND THAT ANNUAL 100 TO 200 METRIC TONS OF FRENCH
COBALT METAL EXPORTS SENT TO U.S. FOR PROCESSING INTO
HIGH-QUALITY ALLOYS AND SUBSEQUENT RE-EXPORT BACK TO
FRANCE, WILL NOT BE IMPEDED.

7. COMPANY ALLOCATION POLICIES: OUR SOURCES REPORT
THAT SUPPLYING COMPANIES CONTINUE TO CONTRACT IN
RESPONSE TO MOST ADVANTAGEOUS OFFERS TO BUY.

8. RE NEW CALEDONIA: SEE REF (B). OUR GOF SOURCES SAY
NEW CALEDONIA PRODUCTION IS NOT A MAJOR FACTOR IN-
FLUENCING FRENCH COBALT MARKET.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COBALT, MINING, PRODUCTION DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 13 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PARIS18820
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780247-0318
Format: TEL
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780665/aaaacdys.tel
Line Count: 175
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: a052498a-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 145925, 78 CANBERRA 4546
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2373117
Secure: OPEN
Status: NATIVE
Subject: COBALT
TAGS: EMIN, FR
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/a052498a-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014